

## Message Text

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ACTION EA-12

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-08  
FRB-03 INR-10 NSAE-00 USIA-06 TRSE-00 XMB-02  
OPIC-03 SP-02 LAB-04 SIL-01 OMB-01 DODE-00 PM-05  
H-01 L-03 NSC-05 PA-01 SS-15 AGRE-00 STR-07 /107 W  
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R 230608Z FEB 78  
FM AMEMBASSY MANILA  
TO SECSTATE WASHDC 2084  
INFO USLO PEKING  
AMCONSUL HONG KONG  
AMEMBASSY MOSCOW

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E.O. 11652: N/A  
TAGS: ETRD, RP  
SUBJECT: RP AND PRC SIGN TRADE SCHEDULE FOR 1978

1. SUMMARY. PRC AND PHILIPPINES HAVE SIGNED A TRADE SCHEDULE FOR 1978 WHICH ENVISAGES A BALANCE IN TRADING BETWEEN THE TWO COUNTRIES. THIS APPEARS TO BE A REACTION TO THE \$26 MILLION SURPLUS WHICH THE PHILIPPINES ACHIEVED DURING THE FIRST 11 MONTHS LAST YEAR. END SUMMARY.

2. SECOND MEETING OF PHILIPPINES-CHINA JOINT TRADE COMMITTEE TRANSPIRED ON FEBRUARY 20 AND AGREED THAT BOTH SIDES SHOULD STRIVE FOR A BALANCE MORE OR LESS IN THEIR BILATERAL TRADE FOR 1978. AN AGREEMENT ON A TRADE SCHEDULE WAS SIGNED BY THE HEADS OF THE TWO PANELS, ASSISTANT SECRETARY OF TRADE DAIKLA FONACIER AND DIRECTOR HSI YEH-SHENG OF THE MINISTRY OF FOREIGN TRADE. COMMITTEE WAS CREATED IN 1976 AND MEETS ANNUALLY TO CONSIDER THE RESULTS OF THE PREVIOUS YEAR'S TRADE AND PLAN FOR THE PRESENT YEAR.

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3. ACCORDING TO THE SCHEDULE, THE PRC WILL BE PREPARED TO IMPORT THE FOLLOWING COMMODITIES --

100,000 TO 150,000 METRIC TONS OF SUGAR:

40,000 TO 80,000 METRIC TONS OF COPPER CONCENTRATES:

20,000 TO 35,000 METRIC TONS OF COCONUT OIL:

20,000 TO 40,000 CUBIC METERS OF LOGS AND LUMBER:

3,000 TO 6,000 METRIC TONS OF PVC RESINS:

CERTAIN QUANTITIES OF CHEMICALS AND CHEMICAL PRODUCTS SUCH AS CALCIUM CARBIDE; MINERALS AND MINERAL PRODUCTS SUCH AS FERRO-SILICON; AND CONSTRUCTION MATERIALS.

4. THE PHILIPPINES, ON THE OTHER HAND, WILL IMPORT ONE MILLION METRIC TONS OF CRUDE OIL (VALUED AT \$80 MILLION IN DOT PRESS RELEASES); CERTAIN QUANTITIES OF MACHINERY AND EQUIPMENT; CHEMICALS AND CHEMICAL PRODUCTS SUCH AS PARAFFIN WAX, MINERALS AND MINERAL PRODUCTS SUCH AS ZINC INGOTS; FOOD; FOODSTUFFS; AND OTHER COMMODITIES. COMMENT: THE FIGURE OF \$80 MILLION GIVEN FOR OIL IMPORTS FROM THE PRC APPARENTLY REFLECTS THE PRICE AT WHICH THE SHENGLI CRUDE IS ALLOCATED TO THE PRIVATE OIL COMPANIES, AND NOT THE ACTUAL "FRIENDSHIP PRICE" THE PHILIPPINES SUPPOSEDLY PAYS FOR IT. THE 1978 RP/PRC CRUDE SUPPLY CONTRACT IS FOR 1 MILLION TONS OF CRUDE, OR 7 MILLION BARRELS. AT THE CURRENT ALLOCATION PRICE OF \$11.27 C&F THE VALUE OF THE 1978 CONTRACT WOULD BE \$78.89 MILLION. END COMMENT.

5. PHILIPPINES ACHIEVED A \$26 MILLION SURPLUS FOR THE LIMITED OFFICIAL USE

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FIRST 11 MONTHS OF TRADING WITH THE PRC LAST YEAR. OF THE \$98.5 MILLION EXPORTS, THE PRINCIPAL PHILIPPINE COMMODITY WAS SUGAR WORTH \$62 MILLION, SUGAR EXPORTS IN 1978 WOULD BE ONE-THIRD TO ONE-HALF OF THE 1977 LEVEL, ACCORDING TO THE AGREED SCHEDULE. IMPORTS WERE \$73 MILLION, THE BULK BEING CRUDE OIL.

6. FONACIER HAS TOLD US THAT THE MEETING WITH THE CHINESE WENT OFF SMOOTHLY. ALL PROBLEMS WERE IRONED OUT BEFOREHAND THROUGH DIPLOMATIC CHANNELS, AND THE ANNUAL MEETING IN MANILA WAS A FORMALITY. THE PRINCIPAL ISSUE THIS YEAR WAS THE PHILIPPINE CONSULAR INVOICE, FOR THE ABOLITION OF WHICH THE CHINESE PRESSED STRONGLY, CONTENDING IT AS BEING UNNECESSARY AND A HINDRANCE TO TRADE. WE AGREE WITH THE CHINESE ON THIS ISSUE, SINCE THE EMBASSY RECEIVES FROM TIME TO TIME COMPLAINTS FROM U.S. EXPORTERS ON THE CONSULAR INVOICE PROBLEM. FONACIER CONCLUDED THAT THE GOP WAS NOT RPT NOT GOING TO GIVE UP THE CONSULAR INVOICE.

7. COMMENT: GOP POLICY OF DIVERSIFICATION OF EXPORTS AND IMPORTS APPEARS TO BE PAYING OFF IN THE CASE OF CHINA. PHILIPPINES ACHIEVED A TRADING SURPLUS WITH ONE

COUNTRY DURING ANOTHER YEAR OF A LARGE TRADE DEFICIT.  
FINALLY, SINCE TRADE WAS RESUMED WITH CHINA IN 1971,  
THE ANNUAL AVERAGE GROWTH RATE OF EXPORTS IS 205 PER-  
CENT AND THAT OF IMPORTS IS 85 PERCENT.  
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## Message Attributes

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